

Final report for Agro-Environmental Technology Grant for “Direct marketing of Lamb in Massachusetts”

May 15th 2002

A) Work completed during this project.

1. Meat processing facility;

A consultant was hired and a feasibility study has been completed on setting up an independent processing facility.

The executive summary is copied below. Copies of the report were sent previously.

Cost Analysis: A Meat processing Facility in Western Massachusetts.

EXECUTIVE SUMMARY

It is proposed to develop a meat processing facility in western Massachusetts to produce a variety of value-added products from “primals” (whole, half and quarter carcasses). The facility will likely be used by Bramble Hill Farm in Amherst and perhaps by other meat producers. Its products would be sold through restaurant and retail channels. Ideally it would also include a retail space. Based on known likely demand for the service, the minimum useful capacity is estimated at 100 lamb carcasses per week, or 5,000 per year. The purpose of this report is to analyze the likely development, capital and operating overhead costs of such a facility to support a decision whether or not to pursue it further.

The total investment required is estimated to be in the vicinity \$340,000, broken down as follows: \$208,000 for a new building, \$97,000 for equipment, \$18,000 for other startup costs, and \$20,000 for a year of operating overhead. This assumes no debt and does not include any direct labor or any other variable expense. Financial statements are presented in **Appendix A**.

A rough analysis shows that the direct costs of making sausage from already-paid-for trim would be about 20 cents per pound less than the cost of outsourcing. All of this savings is attributable to vacuum packaging. The expected out-sourced cost of processing 5,000 lambs would be \$200,000 to \$250,000. This proxy for facility revenue is in proportion to industry standard financial ratios for operating overhead. However, the projected investment in building and equipment is much higher compared to revenue than for the industry overall. This is partly because everything will be new, but it may also be possible to reduce these projected costs.

Equipment investment will be primarily in refrigeration and meat processing equipment. A few key items make up more than half the total amount. Sausage-making will require a mixer-grinder and a sausage stuffer costing about \$17,000 to \$18,000 total. Packaging for retail will require a vacuum packager costing about \$16,000 to \$17,000. Hanging large numbers of carcasses in a walk-in cooler will require a rail system, which could cost as much as \$25,000.

Regulatory requirements increase both capital investment and operating expenses. However, most of these costs clearly promote sanitation and producing a high-quality product, and common sense would require them anyway. The proposed facility would be subject to Federal inspection, requiring, among other things, a work area with fully washable floors, ceilings and walls. Operations must be conducted in accordance with, among other things, documented and approved Hazard Assessment and Critical Control Point plans and Sanitary Standard Operating Procedures developed by the facility's managers to suit its specific products and processes.

Good staff training is necessary to produce a sanitary, high-quality product with good market appeal. Due to changes in the industry, very few meat-cutting schools remain. There are, however, a few opportunities for education in New England and elsewhere. In the short term it will be possible to hire trained part-time meat cutters locally. Overall, the project is feasible and its economics, while not compelling, are acceptable.

2. Web site development.

The Bramble Hill Farm web site has been expanded to include a shopping cart program and Uplinc, a computer service company in Northampton, worked with The Benjamin Company, who were the prime designers of the site. The project coordinator and outreach coordinator reviewed all the information and priced all the goods available to ensure adequate margins when all delivery costs have been included.

Initial testing of the site has shown that it is easy to use for consumers and orders have been received from California, Montana, Georgia, Vermont and locally in Massachusetts. We contracted with Jonathan Roche to investigate the effectiveness of the web site and work with the Benjamin Company and Uplinc to improve the effectiveness of the search engine. We found that the formatting was not sufficient to attract random searches and so we changed key words in the first section. We also looked at what marketing and promotion is needed to increase web-based business. No other producers had a web site so we are unable to link with them at this time.

3 Consumer outreach and education.

The consumer's image of lamb has been tainted by an historical impression that lamb will have a "gamey" taste. The outreach that we have conducted has a multiple purpose on educating the consumers on the taste of "modern" lamb, the different cuts of lamb, different ways of cooking lamb and the many lamb by-products that are available and also provides a means to test market different niche marketing ideas, for example Lamb Kebobs.

Store Tasting have been done in:

- Stop and Shop, Hadley
- Stop and Shop ,Northampton
- Table and Vine ,(Big Y) Northampton
- Fosters Supermarket, Greenfield
- Atkins Country Store, Amherst
- Greenfield's Market, Greenfield.

Events and fairs.

These events were chosen to reach as wide a cross section of consumers as possible to test consumer reaction to lamb and lamb products. Initial analysis is that those that like lamb loved the product and those that thought they didn't and were willing to try were impressed. Part of the education was that there are sheep producers in Massachusetts.

1. 14 days at the Big E, Springfield, selling lamb sausage burgers and lamb Kebobs.
2. Massachusetts Market Place, exhibiting and tasting plus selling product on the Saturday.
3. Taste of Amherst, Amherst, 4 days event
4. Heath Fair, Heath, 3 days.
5. Garlic Festival, Ware 1 day.
6. Reggae Festival, Charlemont
7. Blandford Lamb and Goat seminar
8. Charlemont Yankee Doodle Days, 3 days

Other events and groups that product was donated to:

Pioneer Young Shepherds Cummington Fair breakfast

CISA Farm Tour

Amherst Farm Tour and barbecue

Northampton Community Pancake Breakfast.

Food Bank Benefit dinner

The Daily Hampshire Gazette, Union News, and Greenfield Recorder have written articles.

Product has been featured in restaurant reviews and menus.

Cook Book writer Claire Hopley has featured our lamb in her columns in local newspapers.

Producer outreach

As anticipated the most difficult aspect of this project is to involve other sheep producers. An initial letter to producers brought little response and, working with the Northeast Livestock Marketing Cooperative seemed to be the next best option. That again has provided very few responses other than producers that we already knew. Other producers have shown interest when visiting with us at fairs and events but have not shown any willingness to commit to working together. Some producers have an interest in being able to market their lamb more effectively but, on their own admission, are more hobby producers whose product lacks good conformation. The new sheep barn that we have been building is now complete, so that will liberate more time to canvass other producers by showing the success of our current marketing and the depth of demand for high quality product.

In January 2002 we had a very successful workshop for producers that attracted 90 people to a day-long event. Attended by Commissioner of Agriculture, Jay Healey, Annilee Johnson and David Webber from the Department, the workshop featured a panel of chefs and retail buyers, a panel of a farmers who are already direct marketing product and a instructional workshop from a small animal vet that dealt with production practices

and genetic selection. We have had a follow up meeting with interested producers on April 8th to set out a marketing plan for the coming year.

In February 2002 we sent out a survey to 50 livestock producers to assess the level of demand for a joint marketing brand and their happiness with current processing facilities. The replies showed a high level of interest in a joint marketing operation and a need for increased capacity for processing meat and meat by products, but that the size of most operations at this time is small. Many expressed an interest in expanding if there was an established marketing infrastructure with predictable returns. Survey results are enclosed. The most effective means of launching a common brand and joint marketing of product will be to include both beef and hog producers who seem keener to cooperate together.

B) Problems encountered during the project which affected the plan of work.

The study of the meat processing plant went to schedule as did consumer education and outreach at different community locations. The major problem has been with attracting enough producers who have the capability and desire to market lambs through a joint label or program. The genetic base of some flocks, and their owners unwillingness to change, makes it difficult to agree on a joint system for distribution and sales.

C) Attainment of Project Goals.

The feasibility study was produced on time and with sufficient detail to enable the main partners to move their decision making process forward. The consumer outreach and education increased sales of lamb product and educated the general consumer about the availability of New England raised lamb. The uniqueness of the taste and the diversity of product available surprised many of the people that hadn't tasted lamb since their childhood. The Big E and the Taste of Amherst were particularly effective ways to attract customers that had not tasted lamb before. The web site has been effective in attracting customers and for others to access information in a timely way. No other producers at this time have web sites and only a few have email connections so there is a learning curve to go through before we can get connected through links on the web. We did not achieve the goals of combining producers under one label but we are continuing to work with organising meeting and encouraging other farmers to diversify.

D) Implementation of results and the economic impact on the Massachusetts food and agricultural industry.

The next stage in developing interest in a meat processing plant is meeting with other livestock producers to obtain a critical mass of support to move forward. We have had extensive discussions with Barney Blood, owner of Blood Farm, about his ideas for the future. We have also been talking with Stafford Springs slaughterhouse, but they still have problems with quality of butchering, cleanliness and volume. The feasibility study has allowed us to have informed discussions with potential partners which will take us to the next stage of development.

The web site development has worked very well in bringing in customers for product through the web and also chefs who surf the web for new sources of quality meat. We have recently started to sell product to Club 21 in New York City because they found us through the web site.

The outreach to consumers has been very successful in increasing sales of lamb. The outreach to other producers has provided a core of interested livestock producers who are serious about value added marketing of product.

The economic effect is difficult to assess at this point in time and will be easier to judge by 2003 when the slow task of coordinating other producers will see some positive action. Sales of Bramble Hill Farm lambs have increased from \$98,000 in 2000 to \$160,000, and we have increased the income to two sheep producers by marketing their animals through our brand. By showing the success of the BHF marketing we are able to provide dollar figures on increase in income which has encouraged other producers to work with us.

E) Environmental concerns addressed and the number of acres potentially affected by the project.

The potential success of this project is in the preservation of productive farmland in small scale farming. The increased number of livestock farmers that have off-farm jobs to supplement farm income has reinforced the need to have a distinct marketing option that will provide them with a good price for their animals when they have less time to do marketing. This project will provide them with that option and will increase the number of livestock farms which will allow more preservation of open space by farming methods that are environmentally sound and more sustainable.

F) Other impacts resulting from the project.

The most significant action that has arisen from this project is the interest in marketing a number of species at the same time which is more in line with the size and volume of product from Massachusetts farms.

G) Final budget of actual expenses and costs, showing matching and grant monies used.

See attached.